

*OMB Waiver Letter In ERU

11 August 1976

MEMORANDUM FOR THE RECORD

SUBJECT: Follow-up on Presidential Management Initiatives

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[] and I spent yesterday afternoon at OMB discussing what actions the Agency had to take in response to the Presidential Management Initiatives. Following are the results, organized in parallel with the OMB instructions:

1. Decisionmaking and Departmental Organization

A. This has been done.

B. We will report the action as requested.

C. OMB is asking for Objectives for both FY 1977 and 1978. We agreed that those we submit with our OMB budget on 15 September will extend into 1978 only if they involved a specific multi-year project. We may, however, have to provide more in the way of 1978 Objectives by late November. *Due from components 5 Sept.*

D. The Comptroller will do this.

E. No action until we hear further from OMB.

F. I will discuss this further with our OMB examiner.

2. Evaluation of Current Programs

A. This has been done.

B. We have requested descriptions of efficiency evaluations from the components.

C. No action until we hear further from OMB.

3. Reduction in the Burden of Federal Reporting and Regulation

A. This is not applicable to CIA.

4. Contracting Out and Holding Down Overhead Costs

A. This is of questionable relevance to the Agency. I will, however, inquire whether we have done any past studies on contracting out. For example, OMB specifically mentioned contracting out for guard services, which they have found to be both cheaper and better.

MURKIN Pages 1 & 2

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B. We will explain our methods of identifying overhead costs, controlling travel costs, and restraining the growth of ADP costs. As for cash management, this is not applicable to CIA. We will also explain our system for controlling costs of reproduction equipment and provide a brief description of our minimal audiovisual program. And we will tell them about our controls on telephone costs, mail costs, space allocation, and records disposal.

5. Personnel Management

Everything in this section can be taken care of by describing our existing systems.

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[REDACTED]
Chief, Analysis Group
Resources Staff

Distribution:

- ✓Original - Compt Subject
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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

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July 27, 1976

MEMORANDUM FOR THE SECRETARY OF STATE
THE SECRETARY OF THE TREASURY
THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF THE INTERIOR
THE SECRETARY OF AGRICULTURE
THE SECRETARY OF COMMERCE
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH, EDUCATION,
AND WELFARE
THE SECRETARY OF HOUSING AND URBAN
DEVELOPMENT
THE SECRETARY OF TRANSPORTATION
THE DIRECTOR, CENTRAL INTELLIGENCE AGENCY ✓
THE ADMINISTRATOR OF GENERAL SERVICES
THE ADMINISTRATOR, NATIONAL AERONAUTICS
AND SPACE ADMINISTRATION
THE CHAIRMAN, CIVIL SERVICE COMMISSION
THE ADMINISTRATOR, SMALL BUSINESS
ADMINISTRATION
THE ADMINISTRATOR OF VETERANS AFFAIRS
THE ADMINISTRATOR, ENERGY, RESEARCH AND
DEVELOPMENT ADMINISTRATION
THE ADMINISTRATOR, ENVIRONMENTAL PROTECTION
AGENCY
THE ADMINISTRATOR, FEDERAL ENERGY
ADMINISTRATION

SUBJECT: Presidential Management Initiatives

At the President's management meeting on July 23 he asked that we advise you promptly as to the specific actions he expects to be taken by each agency.

As you know, the meeting covered a lot of territory. For purposes of this follow-up we have divided the subject matter as follows:

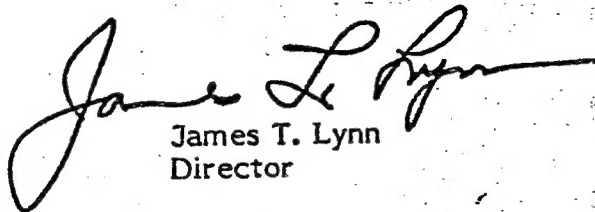
1. Decisionmaking and departmental organization.
2. Evaluation of current programs.
3. Reduction of the burden of Federal reporting and regulations.
4. Contracting out and holding down overhead costs.
5. Personnel management.

A more detailed summary sheet of things to be done in each of these areas is attached. As you will note some actions are to be taken in the near future -- by August 23, September 3, September 21, or October 21, as the case may be -- but some go into fiscal year 1978. However, whatever these specific times for action, we would appreciate having from you by August 23 an overall plan as to how you are going about tackling each of the initiatives. Within two weeks of receipt of your initial plan, we will be back to you with such comments and suggestions as we may have.

The President wants to be brought up to date monthly on how each of the agencies is progressing. Accordingly, we will be sending to you shortly a suggested format to be used for this purpose. We hope that there would be two such reports submitted in time for the next management meeting, which the President expects to hold in mid-September.

I have asked Fernando Oaxaca, Associate Director for Management and Operations, to coordinate these matters for me. He can be reached on 395-3423. I would appreciate your letting me and Mr. Oaxaca know as soon as possible the name of the person in your agency who will be responsible for this overall effort.

Many of the tasks contemplated by these initiatives are not easy ones. However, the President has given us clear marching orders and I believe that by working together some very substantial further improvements will result. If my staff or I can be of help at any point along the way, please let us know.



James T. Lynn
Director

Attachments

1. DECISIONMAKING AND DEPARTMENTAL ORGANIZATION

Each agency should:

- A. Determine the extent to which there is a unit within the agency reporting directly to the agency head which has the mandate from the agency head (and the requisite personnel) to assist the agency head in carrying out the following in an unbiased manner: (a) determining MBO's, (b) assuring that important decisions are made only after consideration of all relevant factors, including the impact on competing priority goals of the Administration and on programs of other agencies, and the views of the public, (c) identifying the need for and guiding the design and implementation of program impact and efficiency evaluations, (d) assuring prompt and complete implementation of the agency head's decisions, and (e) coordinating all of the foregoing with the agency's budget process.
- B. By September 21, report to OMB on the agency's assessment of its situation with respect to A above and the steps taken and remaining to be taken to establish or upgrade such a unit. Such steps shall not involve an increase in ceilings or supergrades.
- C. Review for possible improvement, the agency's MBO's for FY 1977, and in accordance with OMB guidance to be furnished, submit proposed agency head MBO's for FY 1977 and 1978, as part of the FY 1978 budget process.
- D. Promptly include among the agency's MBO's those necessary to carry out the actions directed by the President at the meeting.
- E. Develop and insist on utilization of the decisionmaking checklist approach to decisionmaking. OMB will provide promptly a draft with a request for comments and suggested revisions within 30 days.
- F. Review current staffing patterns and structures to identify unnecessary position layering and excessive organizational subdivisions. Develop a plan to consolidate subunits with similar and related functions. Establish guidelines which will be reviewed by OMB for "assistant to" positions, including number per policy official and grade level. Procedures should be established to ensure at least agency deputy level review of proposals to create new subdivisions and "assistant to" positions.

OMB is developing procedures whereby each year, in conjunction with budget submissions, each agency will also submit a management plan for the budget year. Such plans will include initiatives to carry out actions directed by the President at the meeting as well as such other management initiatives as appear desirable. Management plans will be reviewed and finalized in the Presidential budget process.

2. EVALUATION OF CURRENT PROGRAMS

Each agency should:

- A. Assign to its policy and evaluation unit (see 1.A and B in Decisionmaking and Departmental Organization) responsibility to identify the need for, and guide the design and implementation of program impact and efficiency evaluations. For this purpose program impact evaluation means the comprehensive assessments of program impact to determine whether a program is adequately and effectively meeting its objectives as established (or perceived) in statute or regulation. Program impact evaluations also seek to determine the cost, including the extent of unintended adverse consequences. Efficiency evaluations do not question the need for or intent of the program. Efficiency evaluations may focus on a given segment of a program to determine if there are ways of achieving costs savings, or a more efficient approach to providing service delivery under the program, or a less burdensome way to achieve the programmatic objectives. At the meeting, this was referred to as "Operation Barnacle Removal."
- B. By August 23, identify to OMB ten efficiency evaluations -- determined on a priority basis -- now underway or planned (a) for the period through December 31, 1976, and (b) to the end of FY 1977, all with timetables for completion. If the agency can't identify or handle ten, it must at least explain why not.
- C. Develop in accordance with OMB guidance which will follow, a management plan (to complement the agency budget submission for FY 1978), and as part thereof describe the agency's proposed program impact evaluations to be completed or at least started in FY 1977, FY 1978, and FY 1979. These plans will be reviewed and finalized in the course of development of the FY 1978 budget.

As part of such management plan, the agency will be expected to provide for systems that will assure (a) identification of those programs that should receive program impact and/or efficiency evaluations on a regular basis, (b) the proper timing and frequency, (c) proper design, (d) proper public participation in design and implementation, (e) proper interagency coordination in such evaluations, and (f) that such evaluations are properly coordinated with the budget process and policy-making.

3. REDUCTION IN THE BURDEN OF FEDERAL
REPORTING AND REGULATION

Each agency should:

- A. Reduce the burden of Federal paperwork on the public (hours spent in compliance) by at least 5% by the end of FY 1977 and by an additional 15-20% by the end of FY 1978 (which gives enough time for enactment and implementation of substantial reform through legislation). By August 23, each agency is to submit to OMB a tentative plan for reducing paperwork burden further with timetables through December 31, 1976, FY 1977 and FY 1978. To the extent possible, each agency should adopt the 5%, 15-20% targets or better them. In addition to providing guidelines for agency use in achieving this goal, OMB will direct agency head attention to specific programs which appear to have large reporting burdens and will request that specific attention be given to these programs.

Overall ceilings will be established by OMB for the number of repetitive and single-time reports to be permitted. Present stringent short-term guidelines will come into effect automatically when ceiling is reached. Such guidelines will be introduced selectively for agencies which reach their assigned share of the overall ceilings even though the ceiling itself may not be reached for the Executive Branch as a whole.

OMB will develop additional standardized financial and administrative procedures to reduce the reporting burden on recipients of Federal grants.

- B. Agencies are to develop and submit to OMB specific schedules for regular, periodic review of regulations governing programs to assure that administrative procedures and reporting meet only basic continuing needs for agency program management. See evaluations above. Only as an example, consider improvements in auditing grantees; the same programs are often audited by Federal, State and local audit groups.

4. CONTRACTING OUT AND HOLDING DOWN OVERHEAD COSTS

A. Contracting Out. To further the objective of maximum reliance on the private sector in accordance with OMB Circular No. A-76, agencies should:

1. By August 23, submit to OMB an initial plan for increasing their reliance on the private sector to carry out overhead or program functions in accordance with the Circular. Unless very good reasons are given, each agency will be expected to identify at least five functions presently performed in-house that will be reviewed from this standpoint (together with timetables for action). Agencies will be expected to better these targets, wherever possible.
2. By September 21, review and revise their implementing instructions and procedures for contracting out to ensure that all in-house commercial and industrial activities are reviewed and terminated if not justified as an exception to the contracting out policy. Agencies are also expected to tighten the review of proposals to initiate or expand in-house commercial and industrial activities. To assure that such instructions are carried out, systems for periodic review of existing functions and review of new proposals from the standpoint of Circular No. A-76 should be installed.

B. Overhead Cost.

1. Identification of Overhead Costs. Agencies should set up systems for routinely determining and analyzing overhead costs. This need not involve costly new recordkeeping systems, but could rely instead on cost-finding techniques and special studies.
2. Travel. To hold down travel costs:
 - (a) Agency heads should personally review fiscal year 1976 reports of travel savings and accomplishments prior to submission to GSA in August 1976 (as required by OMB Bulletin No. 76-9, as amended) - to identify areas where greater improvement can be made.
 - (b) By September 3, agencies should develop and report to GSA plans to further reduce travel costs in fiscal year 1977. This plan should include a specific and challenging reduction goal and should reemphasize the OMB travel guidelines.
 - (c) OMB will forward suggested methods and procedures for agency consideration for further controlling travel to assist in the development of this plan.

3. ADP Practices.

- (a) Agencies with substantial ADP investments (i.e., those that received an OMB allowance letter in February 1976) should organize a program to:
- reduce the unit cost of data processing;
 - eliminate nonessential or marginal computer workload;
 - reduce equipment rental through increased competition;
 - analyze the need and methods used for expanding government computer capacity;
 - minimize the automatic computer issuance of inaccurate or unnecessary checks and purchase orders; and
 - strengthen agency ADP management to overcome problems of computer fraud and security.
- (b) By August 23, all such agencies should prepare and submit to OMB a plan describing the specific actions they will accomplish in each of the above areas. The plan should address both short and long term action steps. GSA will submit a plan for increasing the use of "third party" and "plug-to-plug" compatible ADP rental contracts government-wide.
- (c) By September 21, all agencies should submit a progress report indicating short term accomplishments in each area. For the very large ADP agencies (i.e., DOD, NASA, ERDA, Treasury, and HEW), this report will not include equipment rental reduction efforts.
- (d) By October 21, the very large ADP agencies are to submit the results of an equipment rental review to GSA. This review will identify the extent to which the agency is using "third party" and "plug-to-plug" contracting techniques, the savings that have resulted, and plans for extending the use of these techniques over the next year along with estimated additional savings.

4. Cash Management.

- (a) Agencies—particularly those with significant collection operations like HUD, Interior, FEA, SBA—should follow Agriculture's lead in cash management. Agencies should modernize their cash management practices to include:
- rapid billing and collecting procedures;
 - proper timing of payments; and
 - accurate cash forecasting.
- (b) Treasury and OMB will assist in these efforts, and, by October 21, report to the President on savings that have been or can be realized.

5. Reproduction Equipment.

(a) Agencies should:

- require more efficient use of reproduction equipment; and
- maximize centralized field duplication services.

(b) GSA should review agency efforts and, by October 21, report to the President on savings that have been or can be realized.

6. Audiovisual Activities.

(a) The Departments of Justice, Transportation, and Health, Education, and Welfare are scheduled to report to OMB in July on their plans for consolidating their audiovisual facilities in the Washington, D.C. area. A similar report is scheduled from the Department of Defense in August.

Heads of these Departments should personally review the reports prior to submission to OMB.

(b) In addition--to hold down overall audiovisual costs--all agencies should:

- Review existing facilities both in central offices and in the field, eliminate or consolidate, where possible (keeping in mind available facilities in other agencies and in the private sector).
- Establish controls to prevent the acquisition of unnecessary equipment and supplies.
- Use existing government-owned films, video tapes and recordings in lieu of new acquisitions, where possible.
- By September 21, OMB is to report the results of this effort to the President.

7. Telephone Equipment and Usage.

(a) Millions are spent annually on telephone services provided by GSA through the Federal Telecommunications System as well as those services secured by direct telephone contract.

(b) To reduce the cost of telephone equipment and usage, agencies should:

- Review existing telephone equipment and usage to ensure optimum use of this service.

- Request GSA's assistance in the review as appropriate.
- Report to OMB, by September 3, on achieved and expected savings in telephone equipment and usage.

8. Mailing Practices.

- (a) To effect cost savings in postal mailings, the National Archives and Records Service (NARS) and Postal Service are submitting a plan to OMB on ways in which savings can be realized.
- (b) Agencies should:
 - Issue instructions on the most economical utilization of available services based on the guidelines and handbooks issued by NARS.
 - Provide adequate training for employees to implement the instructions.
 - Monitor mail practices to insure that mail is sent by the most economical means.
 - Seek the assistance of NARS and the Postal Service to effect economies in the handling of mail.
 - Report to NARS by September 21 on achieved and expected savings in mail practices.

9. Office and Other Space.

- (a) To effect efficiencies in space utilization, agencies should:
 - Review present space utilization and assure that per person square footage of space is kept to a minimum in keeping with efficient accomplishment of the agencies missions, and
 - Submit plans to GSA by August 23.
- (b) GSA should rewrite Federal Property Management Regulations to reflect new space utilization standards and other requirements growing out of studies and reviews of agencies' space needs. This should be done by October 21, if possible.

10. Record Storage

- (a) To keep unnecessary paperwork from piling up in files that are seldom if ever used and take up needed floor space, agencies should dispose of or retire records to storage in accordance with records control schedules.
- (b) GSA should review and reenergize agency efforts in these areas, and, by September 21, report to OMB any savings that have been or can be realized.

5. PERSONNEL MANAGEMENT

Executive Selection and Development - Identification and training of personnel having executive promise, and development of incumbent executives.

Work Force Quality - Evaluation of employee programs which affect overall work force quality, specifically: recruitment, employee performance evaluation, career advancement, managerial incentives and training.

Position and Classification Management - Systematic reexamination of internal systems, and appropriate corrective action to restrain grade escalation and to eliminate duplication of work or under-utilization of personnel.

Productivity Measurement - Improvement of productivity measurement and extension of such measurements to functions not presently covered, as a means of judging both managerial and individual staff performance and of improving productivity.

Employment Ceilings - Adherence to Presidential employment ceilings and avoidance of congressionally mandated minimum employment levels.

A. Agencies should establish and improve comprehensive selection and development systems, under Executive Manpower Resources Boards, providing:

- Selection processes which ensure that, when management vacancies occur, they are filled carefully with the best qualified individuals available.
- Identification of mid-career employees with the greatest managerial potential, and provision of developmental experience to prepare them for future responsibilities.
- Planned training and other developmental opportunities designed to focus incumbent managers' attention on their managerial responsibilities and to enhance their abilities.

B. Each agency, by September 3, should identify (or establish) one executive selection and development system to serve as a model for stimulating the establishment of comparable systems in all major organizational components by the end of FY 1977.

C. As an immediate part of this long-range and continuing effort, agencies should, by September 21, implement an operational "high potential" identification system and prepare individual development plans for a small number of people with especially high potential.

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- D. Agencies should, by August 23, begin a year-long program of evaluation of employee programs in order to identify priority ways of improving overall work force quality. These evaluations will cover the quality of recruitment, the employee performance evaluation process, career advancement, managerial incentives, and training programs. *OP =*

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OP* E. Agencies should, by September 3, begin a year-long program for the careful, systematic reexamination of internal position management and classification systems called for in the President's May 27 memorandum, in accordance with CSC instructions issued July 2. *OP*

OMB and CSC may specify special reviews or instructions on a selective basis, in agencies where there seem to be excessive problems of overgrading, duplication of work, or underutilization of personnel resources.

- F. Agencies should institute a program to refine existing productivity measurements and extend them to a substantial number of functions not now covered. They should include a progress report on this program as part of their FY 1978 budget submission. General guidance and assistance will be provided by the Bureau of Labor Statistics and the National Center for Productivity and Quality of Working Life.

Agencies should increase the applied use of productivity measures in supporting staffing and budget requirements and for purposes of management evaluation and control. A government-wide goal of two percent improvement in productivity, in the functions currently measured, will be set between now and the end of FY 1978. Each agency should include projected improvements in its calculations for its FY 1978 budget request. *ILLEGIB*

Heads of agencies should take a personal interest in ensuring that Presidential employment ceilings for both full-time permanent and total employment are not exceeded.

Agencies should evaluate their current internal systems for administering personnel ceilings to look for better ways of ensuring compliance with those ceilings and providing flexibility for intra-agency ceiling reallocation. A report on this evaluation should be submitted to OMB by September 21. *OP/OCmt*

Initial report 23 August